

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

MARCH 31, 2011

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
March 31, 2011 and December 31, 2010

	(Unreviewed)	(Unreviewed)
	March 31	December 31
	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 109,626	\$ 94,976
Available for sale investments	91,652	91,672
Trade accounts receivable, net	50,757	80,559
Inventories	208,195	206,213
Net investment in sales-type leases	-	-
Prepaid expenses and other current assets	8,247	7,369
Total current assets	468,477	480,789
PROPERTY, PLANT AND EQUIPMENT, NET	6,590	6,753
NET INVESTMENT IN SALES-TYPE LEASES	-	-
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	-	-
Total Assets	\$ 475,067	\$ 487,542
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 617,527	\$ 602,437
Accounts payable	35,488	21,543
Accrued expenses	268,267	271,756
Income taxes payable	8,787	8,787
Deferred revenue and customer deposits	60,422	61,982
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	1,034,775	1,010,789
DEFERRED GAIN ON SALE OF BUILDING	42,382	45,208
DEFERRED RENT	123,681	131,925
Total liabilities	1,200,838	1,187,922
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized 5,000,000 shares, none issued	-	-
Class A common stock, authorized 10,000,000 shares, par value \$.01, issued and outstanding 2,009,149 shares	20,091	20,091
Class B common stock, authorized 10,000,000 shares, par value \$.01, issued and outstanding 499,998 shares	5,000	5,000
Additional paid-in capital	3,335,647	3,335,647
Accumulated other comprehensive income	91,652	91,672
Retained earnings (deficit)	(4,178,161)	(4,152,790)
Total stockholders' equity	(725,771)	(700,380)
Total Liabilities and Stockholders' Equity	\$ 475,067	\$ 487,542

The accompanying notes are an integral part of these financial statements.

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS
Three-Month Periods Ended March 31, 2011 and 2010 - (Unreviewed)

	Three Months Ended	
	March 31	
	2011	2010
NET SALES	\$ 380,649	\$ 470,031
COST OF PRODUCTS SOLD	209,595	269,016
GROSS PROFIT	171,054	201,015
OPERATING EXPENSES:		
General and administrative	71,726	77,219
Marketing and selling	54,138	65,404
Research and development	63,455	67,531
Restructuring Charge	-	35,151
	189,319	245,305
EARNINGS (LOSS) FROM OPERATIONS	(18,265)	(44,290)
OTHER INCOME (EXPENSE):		
Interest expense	(7,125)	(8,105)
Interest income	19	1
	(7,106)	(8,104)
EARNINGS (LOSS) BEFORE INCOME TAXES	(25,371)	(52,394)
Income taxes	-	-
NET EARNINGS (LOSS)	\$ (25,371)	\$ (52,394)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:		
Class A common	\$ (0.01)	\$ (0.02)
Class B common	\$ (0.01)	\$ (0.02)
Weighted average common shares outstanding	2,509,147	2,509,147

The accompanying notes are an integral part of these financial statements.

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
Three-Month Periods Ended March 31, 2011 and 2010 - (Unreviewed)

	Three Months Ended March 31	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (25,371)	\$ (52,394)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,404	4,924
(Gain) loss from sale of property, plant and equipment	(2,826)	(6,333)
Changes in operating assets and liabilities:		
Accounts receivable	29,802	(49,620)
Inventories	(1,982)	47,757
Net investment in sales-type leases	-	197
Prepaid expenses and other current assets	(878)	640
Accounts payable and accrued expenses	10,458	39,343
Deferred rent	(8,245)	-
Income taxes	-	(100)
Deferred revenue and customer deposits	(1,560)	(9,322)
Total adjustments	<u>26,173</u>	<u>27,486</u>
Net cash provided by (used in) operating activities	<u>802</u>	<u>(24,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,242)	416
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(1,242)</u>	<u>416</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	15,090	41,600
Net cash provided by (used in) financing activities	<u>15,090</u>	<u>41,600</u>
Net increase (decrease) in cash and cash equivalents	14,650	17,108
Cash and cash equivalents at beginning of year	94,976	28,122
Cash and cash equivalents at end of period	<u>\$ 109,626</u>	<u>\$ 45,230</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ -	\$ 100
Cash paid for interest expense	7,182	8,182

The accompanying notes are an integral part of these financial statements.

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2011 - (Unreviewed)

1. Basis of Presentation

The accompanying unreviewed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information furnished herein reflects all adjustments and accruals that management believes are necessary to fairly state the operating results for the respective periods. Operating results for the three-month period ended March 31, 2011, are not necessarily indicative of the results that may be expected for the year ended December 31, 2011.

The balance sheet at December 31, 2010, has been derived from the unaudited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's 2010 Annual Report to Shareholders.